Tax implications of Christmas gifts

Accelerated depreciation for small business

DECEMBER 2015 CLIENT NEWSLETTER

Welcome…to The Enterprise Sanctuary's last newsletter for the 2015 calendar year. What a year it's been and we're looking forward to another exciting year of helping you and your business achieve its 'new year's resolutions'. Today, I'm excited to talk about Christmas presents, yes tax implications of giving Christmas presents and accelerated depreciation for small business.

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THE Enterprise Sanctuary

TAX IMPLICATIONS OF CHRISTMAS GIFTS

For staff

The best tax outcome for your business this Christmas is to give staff non-entertainment type gifts that cost less than $300 GST inclusive per staff member as this is fully tax deductible with no FBT payable.

The type of gift can include skincare & beauty products, flowers, wine, perfumes, gift vouchers and hampers.

Entertainment expenditure (such as a Christmas party) is:

- Not tax deductible;
- You have to pay fringe benefits tax (FBT) if the cost per person is more than $300, which doesn't fall under the 'minor benefits' exemption.

A minor benefit is one that is provided to staff or their associates, for example their spouse, or an 'infrequent' or irregular' basis, is not considered a reward for services, and the cost is less than $300 'per benefit' inclusive of GST.

For clients

A gift given to a client is tax deductible if there is an expectation the gift given to the client will either generate future business from the client or motivate them to refer your services to others (i.e. if the gift is given with the expectation of generating revenue).

Again, this is not be confused with the provision of entertainment to the client which is non deductible.

Please contact us at The Enterprise Sanctuary if you would like to talk about this topic in more detail.

ACCELERATED DEPRECIATION FOR SMALL BUSINESS

New laws have passed that allow small businesses to claim an immediate deduction for assets they start to use – or have installed ready for use – provided each depreciable asset costs less than $20,000.

This will temporarily replace the previous instant asset write-off threshold of $1,000.

This measure starts 7.30pm (AEST) 12 May 2015 and will end on 30 June 2017.

Who is eligible?

Any business that meets the definition of a small business entity, that is one with an aggregated turnover less than $2 million, may be eligible to claim an immediate deduction for the cost of depreciating assets acquired for less than $20,000.

Are all assets eligible?

All depreciating assets (including new and second hand) are eligible, except for a small number of exclusions which receive different depreciation treatment.

Excluded assets include:

- Horticultural plants - subject to their own 'uniform capital allowance' rules (UCA);
- Capital works – subject to their own 'capital works' depreciation rules;
- Assets allocated to a low-value pool or software development pool - subject to the deduction rates applicable under those rules;
- Primary production assets for which the entity has chosen to use the normal depreciation rules rather than the simplified depreciation rules; and
- Assets leased out to another party on a depreciating asset lease.

Businesses need to ensure that they only claim a deduction in the year in which the asset is first used or installed ready for use and to the extent to which the asset is used in an income earning activity for a taxable purpose.

GST inclusive or exclusive?

If the entity is registered for GST, then the GST exclusive amount is taken to be the cost of the asset.

Where the entity is not registered for GST, then the GST inclusive amount is taken to be the cost of the asset.

Please contact us at The Enterprise Sanctuary if you would like to talk about this topic in more detail.